

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** March 1, 2007

**Bill Number:** H.B. 3167

**Authors:** Cobb-Hunter; Sellers; Williams

**Committee Requesting Impact:** House Ways & Means Committee

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3630 so as to allow a refundable state individual income tax credit equal to ten percent of the federal earned income tax credit and annually to increase the amount of the credit in increments of two and one-half percent until the credit equals twenty percent.

### REVENUE IMPACT <sup>1/</sup>

This bill would reduce General Fund individual income tax revenue by an estimated \$98,739,500 in FY2007-08.

### Explanation

This bill would add Section 12-6-3630 to allow a refundable state individual income tax credit equal to ten percent of the federal earned income tax credit allowed when a taxpayer files federal income taxes beginning in tax year 2007. The tax credit percentage would increase by two and one-half percentage points each tax year until reaching twenty percent in tax year 2011 and each tax year thereafter. Based upon the latest federal tax return data from the U.S. Department of the Treasury, Internal Revenue Service, South Carolina taxpayers filed for 431,190 earned income tax credits claiming \$824,156,000 in earned income tax credits in tax year 2004. Projecting this amount to tax year 2007 by the average growth in the earned income tax credits since tax year 2000, yields an estimated \$987,395,000 of earned income tax credits in tax year 2007. Applying a ten percent tax credit percentage to an estimated \$987,395,000 of federal earned income tax credits in tax year 2007 yields a reduction in General Fund individual income tax revenue of \$98,739,500 in FY2007-08. Because the tax credit is refundable even if the taxpayer doesn't have any tax liability, the full amount would be returned to taxpayers filing for earned income tax credits in tax year 2007. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2006.

/s/ WILLIAM C. GILLESPIE, PH.D.

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**Analyst:** Martin

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.